
**Financial Institutions &
Insurance Committee**

HB 1928

Brief Description: Prohibiting the use of consumer credit histories for personal insurance renewal decisions.

Sponsors: Representatives Kirby, Hasegawa, Dickerson and Chase.

Brief Summary of Bill

- Makes the use of credit history by an insurer in renewal decisions of personal insurance a violation of the Consumer Protection Act.

Hearing Date: 2/23/05

Staff: Jon Hedegard (786-7127).

Background:

An insurance score is a number generated via a computer program that analyzes the data in an individual's credit report. The computer program uses an algorithm to reduce credit report data to a single numerical score. Generally, insurance scores are calculated either by insurers using their own computer model or by third-party vendors who contract with insurers to do credit score calculations. In 2002, Washington State passed a law limiting the ways in which a credit history or an insurance score can be used by insurers in underwriting and rating personal insurance.

Insurance scoring models.

Insurers may use credit history to determine premiums, rates, or eligibility for coverage unless the insurers has filed the insurance scoring models with the Insurance Commissioner.

Credit information that may not be used by insurers.

There are certain types of credit history information that an insurer can not consider in rate setting or use to deny coverage, including:

- an absence of credit history;
- the number of credit inquiries;
- credit history related to medical care;
- entries related to the initial purchase or finance of a house or car;
- use of a particular type of credit, debit, or charge card; or
- the dollar amount of a consumer's available credit.

Applicants.

An insurer is permitted to consider credit history in the evaluation of a new customer applying for insurance. Credit history must be considered with other substantive underwriting factors. An offer of placement with an affiliate insurer does not constitute a denial of coverage.

Cancellation and non renewal.

An insurer's decision to cancel or not renew an existing policy of personal insurance may not be based on an insured's credit history. However, an insurer may use credit history as the basis for placing an insured with another company affiliated with the insurer.

Notice to the consumer.

An insurer that takes any adverse action against a consumer based on credit history must provide the consumer with written notice. The notice must identify those aspects of the consumer's credit history that played a significant role in the decision leading to the adverse action. The insurer must also inform the consumer that the consumer is entitled to a free copy of his or her credit report. An insured is provided with certain remedies if his or her insurance coverage is adversely affected by an inaccurate credit history.

Consumer Protection Act.

The Washington Consumer Protection Act (Act) declares that unfair and deceptive practices in trade or commerce that harm the public interest are illegal. The Act gives the Office of the Attorney General the authority to bring lawsuits against businesses, and to ask the court for injunctions and restitution for consumers. It also allows individuals to hire their own attorneys to bring consumer protection lawsuits. If the consumer wins in court, the law allows the court to award triple the amount of actual damages, up to \$10,000, as well as attorney's fees.

Summary of Bill:

The use of credit history by an insurer in renewal decisions of personal insurance is a violation of the Consumer Protection Act.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.